

Module 10 - Education Credits

Tax Tutorial

In this tax tutorial, you will learn about two tax credits taxpayers may claim for themselves or their dependents, for higher education.

- Hope Credit
- Lifetime Learning Credit

Form 8863, Education Credits, is used to determine eligibility and figure each credit.

Students receive Form 1098-T, Tuition Statement, from eligible educational institutions, which identify tuition and any related expenses paid to the educational institution, and/or reimbursements or refunds.

Tax Tip:

Taxpayers can choose the credit that will give them the lower tax; but they cannot claim both credits for the same expenses.

next ►

Module 10 - Education Credits

Eligible Students and Qualifying Expenses

The requirements for claiming these credits include:

- filing status and modified [adjusted gross income](#) (AGI) of the taxpayer
- whether the student and the educational institution are eligible
- what the expenses were for—only tuition and related expenses qualify
 - related expenses are course-related books, supplies and equipment, and student activities

This table shows how education credits can be applied.

If the taxpayer...	Then only...
Claims an exemption on the tax return for a dependent who is an eligible student	The taxpayer can claim the Hope or Lifetime Learning Credit based on that student's expenses. The student cannot claim the credit
Does not claim an exemption for a dependent who is an eligible student (even if entitled to the exemption)	The student can claim the Hope or Lifetime Learning Credit. The taxpayer cannot claim the student's expenses

[◀ previous](#)[next ▶](#)

Module 10 - Education Credits

Income Requirements

Taxpayers whose modified AGI is \$57,000 or more (\$114,000 if married filing jointly) are not eligible to take either credit.

For taxpayers whose modified AGI is over \$47,000 (over \$94,000 if married filing jointly), these credits are gradually reduced to allow for only partial credits.

Tax Tip: *Modified AGI is adjusted gross income modified by certain exclusions.*

This chart shows the education credit eligibility requirements, based on filing status and modified AGI.

Filing Status	Cannot claim a Hope Credit or Lifetime Learning Credit if modified AGI is:	Hope Credit or Lifetime Learning Credit is reduced if modified AGI is:
Single or Head of Household	\$57,000 or more	\$47,000 or more
Qualifying widow (er)	\$57,000 or more	\$47,000 or more
Married Filing Jointly	\$114,000 or more	\$94,000 or more

◀ previous

next ▶

Module 10 - Education Credits

The Hope Credit

The Hope Credit allows taxpayers to claim a credit of up to \$1,650 based on qualified tuition and related expenses paid for each eligible student. To be eligible for the credit, the student must be:

- Enrolled in a program that leads to a degree, certificate or other recognized educational credential
- Taking at least one-half of the required workload for the course of study for at least one academic period beginning during the calendar year
- Enrolled as a freshman or sophomore (in other words, has not completed the first two years of postsecondary education)
- Free of any felony conviction for possessing or distributing a controlled substance

[< previous](#)[next >](#)

Module 10 - Education Credits

Lifetime Learning Credit

Taxpayers may claim a Lifetime Learning Credit of up to \$2,000 based on qualified tuition and related expenses paid for all eligible students enrolled in eligible educational institutions.

The Lifetime Learning Credit is based on the total qualified education expenses paid by the taxpayer and not on the number of eligible students. Education expenses that qualify for the Lifetime Learning Credit are for courses:

- taken as part of a postsecondary degree program, or
- taken to improve or acquire job skills

[< previous](#)[next >](#)

Module 10 - Education Credits

Differences Between the Two Credits

The amount of the Hope Credit is gradually reduced as taxpayers' income increases.

There is no limit on the number of years the Lifetime Learning Credit can be claimed.

The differences between the two credits are summarized in this chart.

Lifetime Learning Credit	Hope Credit
Per taxpayer credit	Per eligible student credit
\$2,000 limit per taxpayer	\$1,650 limit per eligible student
Available for an unlimited number of years	Available <i>only</i> for the first two years of postsecondary education
Credit available for courses taken as part of a postsecondary degree program or to acquire or improve job skills (including noncredit courses and graduate-level work)	Must be pursuing a degree or other educational credential
Available for one or more courses	Must take at least half of the normal full-time workload for one academic period
No other restrictions	Felony drug conviction restriction

Module 10 - Education Credits

Quick Check!

Answer the following true-false questions about claiming the Hope Credit and Lifetime Learning Credit by clicking on the correct answer. To assess your answers, click the *Check My Answers* button at the bottom of the page.

1) True or False? Taxpayers who paid higher education expenses during the year for an eligible student can generally claim both the Hope Credit and Lifetime Learning Credit if they meet the general requirements.

A. True No answer given: the correct answer is B

B. False

2) Jackson is a university sophomore who is studying to be a dentist. This year, in addition to tuition, he is required to pay a fee to the university for the rental of the dental equipment he will use in this program. The equipment rental fee is a qualifying expense.

A. True No answer given: the correct answer is A

B. False

◀ previous

next ▶

Module 10 - Education Credits

Restrictions That Apply to These Credits

Taxpayers cannot claim a double-benefit. For example, taxpayers cannot:

- Deduct higher education expenses and claim a credit based on those same expenses
- Claim a Hope Credit and a Lifetime Learning Credit based on the same qualified education expenses
- Claim a credit based on expenses paid with a tax-free scholarship, grant, employer-provided educational assistance or a distribution from a Coverdell ESA

In addition, qualified expenses are reduced by the amount of any tax-free educational assistance taxpayers receive. Tax-free educational assistance can include the following:

- Scholarships
- Pell grants
- Employer-provided educational assistance
- Veteran's educational assistance
- Any other nontaxable payments (other than gifts, bequests or inheritances) received for education expenses

Qualified expenses are reduced by any refunds or tax-free assistance received.

 previous

next 

Module 10 - Education Credits

Quick Check!

Answer the following multiple-choice questions about eligibility for the Hope Credit and Lifetime Learning Credit by clicking on the correct answer. To assess your answers, click the *Check My Answers* button at the bottom of the page.

- 1) Which of the following individuals is eligible for the Hope Credit?
 - A. Judy's son Paul who is enrolled full time in the biology degree program as a senior at a local university **No answer given: the correct answer is D**
 - B. Lucy, who is taking a part-time ceramics class at a community college
 - C. Frank, who has claimed the Hope Credit for the previous two years
 - D. Beth, who is taking at least one-half of the normal course load required for the computer science associate's degree program, attending classes the entire school year
- 2) For the third year in a row, Joan took several computer classes at a community college to improve her job marketability. Which credit is she eligible for?
 - A. Hope Credit **No answer given: the correct answer is B**
 - B. Lifetime Learning Credit

[◀ previous](#)[next ▶](#)

Module 10 - Education Credits

Lesson Summary

The Hope and Lifetime Learning Credits are nonrefundable credits that allow taxpayers to claim all or a portion of qualified tuition and related expenses paid for higher education or job-related skills.

A taxpayer cannot claim:

- A deduction for higher education expenses and also claim a Hope or Lifetime Learning Credit based on those same expenses
- Both Hope Credit and a Lifetime Learning Credit based on the same qualified education expenses
- A credit based on expenses paid with a tax-free scholarship, grant or employer-provided educational assistance

The Hope and Lifetime Learning Credits are claimed on Form 8863, which can be filed with either Form 1040 or Form 1040A.

 [previous](#)

Module 10 - Glossary

Glossary

adjusted gross income —total income reduced by certain amounts, such as student loan interest

 [previous](#)
